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National Intelligence Daily (Cable)

27 January 1982

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SC 00022/82
27 January 1982

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FRANCE-USSR-ALGERIA: Natural Gas Deals

France reached agreement with the USSR on the price of gas from the Siberian pipeline in part with an eye to negotiations with Algiers on an aid and liquefied natural gas pricing package.

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//French and Algerian officials resumed talks last weekend as the Franco-Soviet deal was being concluded.

Comment: Paris appears to have decided to conclude the gas agreement partly because it was convinced that the Soviets had made their best offer and because it was persuaded of the need to secure a low Soviet price to factor in the Algerian deal.

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Mitterrand believes France's own economic performance is tied to Third World economic progress and sees a special role for France as a privileged interlocutor of the Third World. The Third World is the area in which French export performance has shown the most improvement lately, and Algeria is the largest Third World consumer of French products.

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USSR-CHINA: Possible Border Talks

The Soviets apparently are probing the Chinese on Moscow's proposal that border negotiations be resumed.

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A Western press service reported on Monday that Chinese officials have held "secret talks" in Beijing over the past 10 days with Sergei Tikhvinskiy--a deputy chairman of the Soviet-Chinese Friendship Society--about a resumption of the border talks, which were last held in the Chinese capital in June 1978. Although there is no solid evidence that such preliminary discussions have begun, a Chinese official has confirmed Tikhvinskiy's presence in Beijing on an "unofficial visit."

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The official also told [redacted] that Tikhvinskiy probably would meet with Foreign Ministry officials but insisted that the Chinese would not discuss political issues with him. Other Chinese officials have held off on setting a date for the talks and have predicted in conversations with interested third parties that if new talks are held, they would be no more productive than the previous ones.

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Comment: Tikhvinskiy, formerly deputy chief of the Soviet team at the border talks, almost certainly has been seeking clarification on what the Chinese meant in their diplomatic note on 26 December, when they agreed "in principle" to a resumption of the talks but insisted on "serious preparations" before beginning them.

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The Soviets have been spreading rumors in Beijing that bilateral relations are improving. At the same time, the Soviet media have avoided commenting on relations, while continuing to criticize Chinese behavior in Asia and Beijing's failure to respond more forcefully to the US stand on the Taiwan issue.

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Both sides have good reason to hint that some sort of preliminary talks have been held in Beijing. Moscow may have hoped to put pressure on the US on the eve of the meetings between Foreign Minister Gromyko and Secretary of State Haig. Beijing may be signaling its unhappiness over US arms sales to Taiwan.

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ITALY-USSR: Reply to Moscow

The firm, but measured rejoinder yesterday by Italian Communist leaders to Moscow's denunciation over the weekend of the Italian Party confirms that relations between the two parties have reached a new low. [redacted]

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The Italian Party insists that Moscow's attack represents a return to tactics of the Stalinist era. The party also reasserts its longstanding argument that each Communist party has a right to develop and pursue its own brand of "socialism" and suggests that Moscow could profit from the Italian Party's attempts to reconcile "socialism" and democracy. [redacted]

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Comment: Although it may be some time before it becomes clear whether current polemics will lead to a formal break, the size of the Italian Party and the stature of its leaders mean that the dispute could become a watershed in relations between Moscow and the more independent West European Communist parties. [redacted]

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The new low in party-to-party relations could have similarly important implications for domestic politics. Party Chief Berlinguer probably saw the Soviet attack as an opportunity to enhance his party's democratic credentials with the broader Italian electorate at a time of growing concern that still another government crisis may arise in the spring. [redacted]

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Most Italian commentators have acknowledged that the Communist Party position in the dispute with Moscow represents an important turning point in its political development, but they caution that the party has to evolve further to become an acceptable governing partner. It is clear that the party's dispute with Moscow will provide new ammunition to those Italian politicians who believe it is in their interest to "take another look at the Communist question." These developments could convince Socialist Party leader Craxi, whose ambitions to become Prime Minister are tempting him to precipitate a government crisis, to forge ahead out of fear of being eclipsed by a more acceptable Communist party. [redacted]

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CHINA: Deng Out of Public View

//Deng Xiaoping has thus far not made a publicly announced appearance during the lunar new year holiday. China's media have accounted for all other top leaders in the first two days of the holiday. Deng appeared in public on 1 January

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Comment: //In the past year, Deng has altered the pattern of his appearances with the leadership. He has always appeared in public on important occasions, however, presumably to forestall speculation about his political or physical health. Although Deng was attended by a nurse at the National People's Congress in December, he seemed to be in good health.

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SUDAN: New Vice President To Be Named



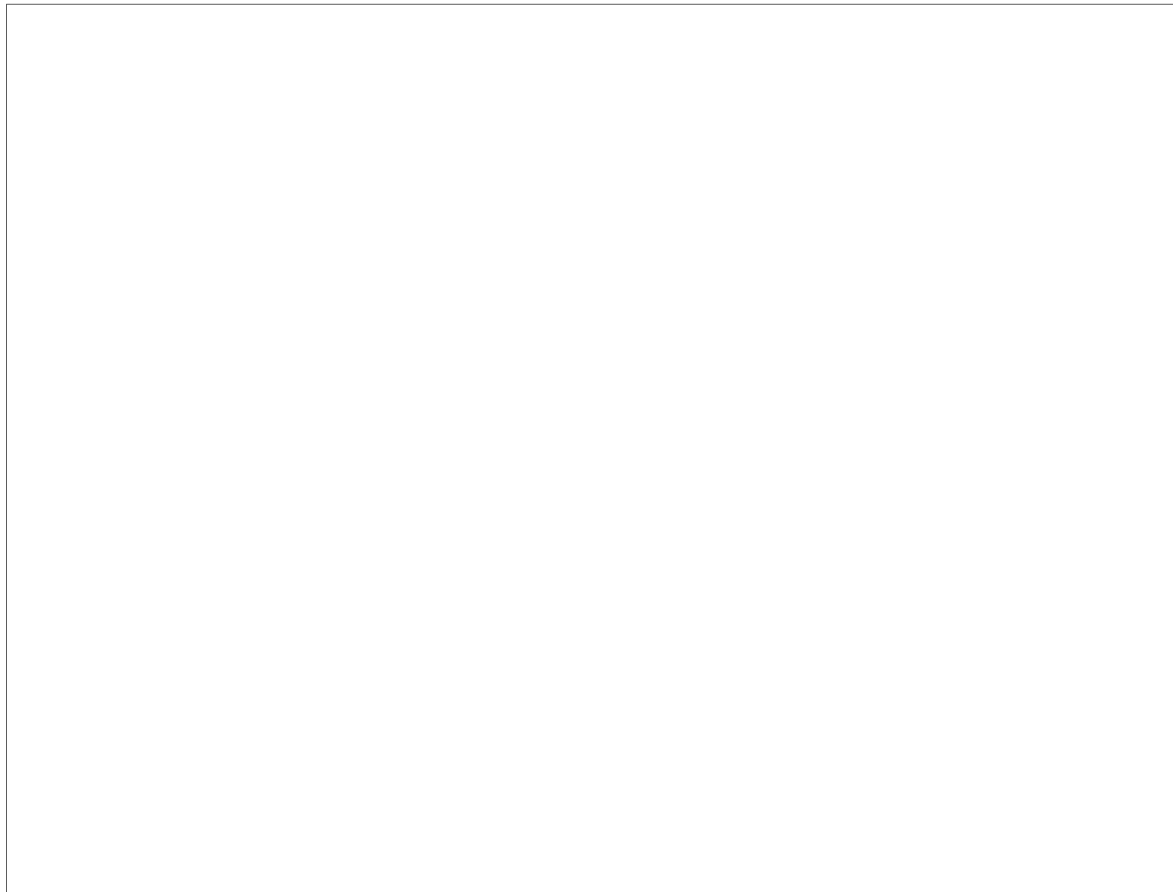
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Third Vice President and Minister of State Security Tayyib will soon be appointed First Vice President, one of the posts from which Abdel Majid Khalil was dismissed on Monday. Nimeiri has assumed Khalil's role as Army Chief and Defense Minister. A number of other officers believed to be supporters of Khalil also are being purged. 

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Comment: Tayyib has little support in the Army, and his appointment as the regime's number-two figure probably will not be well received by most senior officers. Nimeiri's dismissal of Khalil caught the President's critics by surprise, and it is still unclear if they will challenge his action. 

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VENEZUELA-CUBA: Oil Swap Continued

Venezuela has agreed to continue supplying Cuba with 4 million barrels of oil this year under a quadrilateral swap arrangement with the USSR. Moscow will pay \$4.85 per barrel above the OPEC market price for the oil and in return will supply an equal amount of oil to Venezuela's West European customers. The arrangement originated in 1975 under the administration of former President Perez and has been maintained on an ad hoc basis since 1980. It coincides with separate discussions between representatives of Mexico's state oil company and Soviet officials on a longstanding proposal for an oil swap that also would involve Cuba. [REDACTED]

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Comment: The amount of oil involved is negligible in terms of Venezuela's total exports and represents only about 5 percent of Cuba's oil demand. Venezuelan state oil company officials have periodically criticized the swap as offering little commercial benefit to Caracas, but political leaders emphasize that the contract gives Venezuela some leverage with the Castro regime and helps to improve strained bilateral relations. [REDACTED]

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CZECHOSLOVAKIA: Price Increases

Retail price hikes, apparently scheduled for implementation on Monday, include some steep increases on a wide variety of consumer goods. The increases will average about 50 percent. Concurrent increases in wages, pensions, and family allowances will partially offset the impact of the price hikes. [REDACTED]

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Comment: These are the first significant price hikes on consumer goods since July 1979 and will at a minimum contribute to the continued stagnation of living standards. The regime, however, evidently realizes that it cannot afford to cater to consumer interests in the face of mounting economic pressures. It probably will be able to contain any popular discontent over the increases. [REDACTED]

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SOUTH KOREA - NORTH KOREA: Seoul's Proposal Rejected

North Korean Vice President Kim Il yesterday formally rejected South Korean President Chun's recent initiative for talks on reunification. He dismissed the initiative as having no significance and reiterated standard preconditions, including withdrawal of US troops. Kim Il also said, however, that P'yongyang would agree to a meeting with the Chun government if such "obstacles" to reunification were to be removed.

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Comment: P'yongyang's seeming flexibility is designed to persuade foreign audiences that North Korea is not intransigent on reunification. Nonetheless, North Korea's preconditions remain unacceptable to Seoul.

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FINLAND: New President

//A majority of 167 of the 301 first-round electoral college ballots went to Prime Minister Koivisto yesterday, making him the country's first Social Democratic President.

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Comment:

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The unambiguous result of both the popular election and the electoral college decision may make it easier for him to resist possible future attempts by the Soviets to push Finland away from its self-declared policy of neutrality.//

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SPECIAL ANALYSES

POLAND: Reviewing Martial Law

Six weeks after the imposition of martial law, Premier Jaruzelski faces numerous problems that threaten his currently firm hold on power. The situation in the country is inherently unstable as intraparty strife continues, Solidarity activists try to organize resistance, the economy slides, and the popular mood sours.

//Archbishop Glemp recently has expressed apprehension that current trends will lead to popular unrest and violence. A close adviser to Jaruzelski has publicly admitted that the economy is deteriorating, blaming Western sanctions, and fears spontaneous protests against planned price hikes. The Soviets made their gloomiest public assessment yet on the Polish situation in a recent article in *Pravda*://

Trouble Spots

Jaruzelski's failure on Monday to chart a comprehensive program that goes beyond the current emphasis on "control" suggests that moderates and hardliners are still jockeying for primacy in the leadership. Partly as a consequence, local party organizations are in disarray. Although Jaruzelski's control over the martial law mechanism provides him an important political lever, a continued impasse in the leadership will undermine his authority.

Solidarity activists still at large are disseminating underground leaflets and trying to create a clandestine structure. Organizational work, however, continues to be seriously hampered by the internment or arrest of more than 6,000 activists and martial law restrictions.

The Church is increasing its pressure on the government to lift martial law, but at the same time fears that Solidarity's intransigence will contribute to violent

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popular unrest. Poland's bishops last week issued a pastoral letter [redacted] warning of civil war. [redacted]

[redacted]

The economy is the key variable, and production continues to decline because of lingering passive resistance among workers, bad weather, and raw material shortages aggravated by Western sanctions. Delay in formulating policy may only deepen the economic slide. [redacted]

The regime's policy of using threats and blandishments to induce private farmers to step up deliveries has had mixed results. Reduced meat rations this month are only being met with stopgap Soviet shipments. The government intends to proceed with massive price hikes in early February but has increased the partially offsetting wage hikes in the hope of heading off manifestations of worker resentment. [redacted]

Looking Ahead

//Concerns about control probably will prompt the government to keep basic martial law restrictions in effect beyond spring, despite Jaruzelski's ambiguous promise in his speech on Monday to ease restrictions by the end of February. Although many of the participating Polish military units have resumed normal training, the civilian police remain primarily responsible for maintaining order.// [redacted]

The popular mood has soured now that the initial shock of martial law has worn off. This increases the likelihood of strikes or other forms of unrest in the near future. The regime, however, will use whatever force is necessary to suppress resistance. [redacted]

This may be a viable strategy for the short term, but it carries the risk of touching off larger scale unrest that will be more difficult to control. It also delays further the political accommodation that must be reached if the economy is to recover. [redacted]

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USSR: After Suslov

The death of Mikhail Suslov, the senior member in terms of tenure on the Soviet Politburo and the Party Secretariat, will enhance President Brezhnev's authority but will not produce sudden policy shifts.

Suslov ranked second in protocol in the Party Secretariat--behind Brezhnev--and third on the Politburo--behind Brezhnev and Premier Tikhonov. He served as the guardian of ideological purity and of leadership collectivity, working to prevent the establishment of personal dictatorships under both Khrushchev and Brezhnev. Suslov's personal power waned as that of Brezhnev increased. Many younger party leaders may have considered his ideas outmoded, but he commanded respect and wielded influence until his death.

The Structure of Power

Since former Premier Kosygin's death in 1980, Suslov was the only independent voice on the Politburo other than Brezhnev, and Brezhnev now will have a freer hand in personnel appointments. The political prospects of Konstantin Chernenko, a longtime Brezhnev crony who was promoted rapidly to top party posts in the late 1970s, probably have brightened. The official announcement of the arrangements for Suslov's funeral suggests that his departure has hurt the political position of Andrey Kirilenko, long thought to be a potential successor to Brezhnev.

Suslov's death removes a strong force for stability during the succession that will occur when Brezhnev dies or retires. He would not have aspired to the top post himself, but he would have been a power broker, acting to limit the influence of the new party chief while promoting the leadership's common interest in maintaining unity during an uncertain time.

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Impact on Policy

Suslov's doctrinaire perspective and extraordinary concern for the maintenance of domestic security led him to oppose economic reform and "populist" programs at home. He apparently argued against greater investment in the consumer sector, which Brezhnev and Chernenko have promoted, and wider use of wage incentives to spur productivity. Suslov's departure itself will not mean any quick change, but it removes an obstacle to the possible adoption over time of more flexible domestic policies. [redacted]

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It is doubtful that Suslov's death will have a noticeable effect on Moscow's policy toward the West, of which Brezhnev has long been the chief architect. His absence may be felt, however, in areas where Suslov took a particular interest, notably Soviet relations with Communist parties abroad. [redacted]

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One of the most outspoken critics of liberalization in Poland, Suslov argued for a firmer hand in dealings with Solidarity. The recent Soviet decision to confront the Italian Party probably was made with his blessing, and his departure could bring greater Soviet moderation in disputes with West European Communist parties. [redacted]

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Suslov was suspicious of "national liberation" movements that seemed ideologically impure or too independent of Moscow's control, and therefore he sometimes appeared less enthusiastic than others in supporting the Palestinians. He was more willing, however, to confront "imperialism" in the Third World and seemed to be in the forefront of those urging for Soviet intervention in Angola in the mid-1970s. [redacted]

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Possible Political Shifts

The funeral will provide an opportunity to observe the new lineup of Soviet leaders for clues of possible shifts in political standing. Brezhnev has been absent from public view for more than a month, presumably because he is on vacation. Protocol requires his presence at the funeral, however, and his failure to attend would suggest that he is seriously ill. [redacted]

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